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State of Utah

DEPARTMENT OF NATURAL RESOURCES

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Division of Oil, Gas and Mining

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October 17, 2011

FedEx

Nancy J. Wolverson
Ucolo Exploration Corp.
1055 West Hastings Street, Suite 960
Vancouver, British Columbia V6E 2EP
Canada

Subject: Review of Reclamation Surety, Ticaboo Stockpile Removal Project S/017/0001,
Garfield County, Utah

Dear Ms. Wolverson:

The Division of Oil, Gas and Mining conducted a routine inspection at the Ticaboo Stockpile Removal Project East and the Ticaboo Stockpile Removal Project on October 5, 2011. We recognize and appreciate the maintenance work that was done after the inspection done in June 2011. The Division has reviewed the reclamation surety and permitting requirements as part of the October 2011 inspection.

Surety Review

The current surety for the Ticaboo Stockpile Removal Project East is \$6,000.00, and it is due for review on November 25, 2011. Under rule R647-3-111.3, the Division can determine the surety amount using either an average cost per acre or with site-specific information which is normally provided by the operator.

Based on average reclamation costs for four acres of disturbance, the surety amount needs to be increased from \$6,000.00 to \$22,000 for a three year escalation or \$22,900 for a five year escalation. The average reclamation costs are outlined below:

Small Mining Operation Notices

Project Size (Acres)	Surety 3 & 5 year escalation 2011	Comments
1 or less acres	\$7,900 (3-year escalation) \$8,200 (5-year escalation)	Minimum amount required



Additional acres up to 10 total acres	\$4,700/ acre (3-year escalation) \$4,900/acre (5-year escalation)	Partial acreages rounded up (e.g., 1.2 acres = 2 acres)
Cumulative Amount for 4 acres	(i.e. Maximum of 4 acres = \$7,900 +\$14,100 = \$22,000) (3-year escalation) (i.e. Maximum of 4 acres = \$8,200 +\$14,700 = \$22,900) (5-year escalation)	\$900 difference between 3 and 5 year escalation amount for 4-acres of disturbance.

The Division realizes this is a significant increase in the surety amount and also realizes that reclamation of this site may be less expensive than reclamation at an "average" mine. The two alternatives are to use site specific information to determine the bond cost or to reclaim a portion of the site. The Division would need a reclamation plan for the mine if you would like to use site-specific information to calculate the surety. Since the site is uranium ore stockpiles the reclamation plan would be to stabilize the site, including revegetation.

The bond costs must be based on reclamation requirements and might include capping the stockpile or hauling it to a mill. If you choose to provide a reclamation plan, please include recommendations and rationale for the stockpile handling plan.

As an alternative to increasing the surety amount, the reclamation liability can be decreased by reclaiming a portion of the site and amending the Notice of Intention to Commence Small Mining Operations to show the decreased acreage. If you decide to pursue this option, please contact the lead inspector Wayne Western at 801 538-5263. The Division would need to continue to hold adequate surety for the reclaimed area while vegetation is becoming established.

Please provide the additional surety or perform the reclamation no later than November 25, 2011, which is the bond renewal date.

Please contact the minerals program bond coordinator, Penny Berry, at 801-538-5291 or by e mail at bondcoordinator@utah.gov for information about submitting the additional bond. Your current bond is in the form of certificate of deposit. You may increase the amount in the certificate of deposit. Bonding forms are available on the Internet at <http://www.ogm.utah.gov/minerals/MINERALSFORMS.htm>.

Possibility of Combining Notices of Intention

The Utah Mined Land Reclamation Act was recently changed, and the maximum size for a small mining operation in unincorporated areas was increased from five to ten acres. Using this law, the two Ticaboo stockpile removal projects could be combined into one Notice of Intention. In this case, only one mobilization charge would be needed for the bond. There would be one annual fee of \$500 (versus a total of \$300 currently being paid) and one annual report.

Nancy Wolverson
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Period of Inactivity

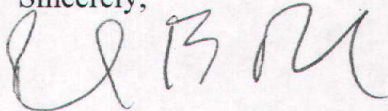
The third item involves the time for mandatory reclamation. Rule R647-3-113.5 allows the Division to require reclamation after five years of inactivity and requires complete reclamation after ten years of inactivity unless an extension is granted by the Board of Oil Gas and Mining. It appears the stockpile removal projects have been inactive since they were permitted on November 25, 2006. By November 25, 2011, please provide an update of the status of these projects.

In summary, the Division requires (item 1), suggests (item 2), and requests (item 3) the following:

1. An increased reclamation surety, a reclamation plan together with a reclamation cost estimate, or reclamation work to reduce the reclamation liability. This need to be completed by November 25, 2011.
2. Combining the two ore stockpile removal projects into one Notice of Intention to Commence Small Mining Operations to decrease mobilization costs in the surety.
3. An update of the status of the two stockpile removal projects.

Thank you for your help in keeping the surety current. If you have any questions concerning this letter, please contact Wayne Western at 801-538-5263 or me at 801-538-5261.

Sincerely,



Paul B. Baker
Mining Program Manager

PBB:whw:pb

cc: Sue Fivecoat, BLM
John Reay, BLM
Will Stokes, SITLA

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